

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. EPB-02-156
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**ORDER DEEMING PLAN COMPLETE, SETTING PROCEDURAL SCHEDULE,
AND NOTICE OF HEARING**

(Issued October 10, 2002)

On September 24, 2002, MidAmerican Energy Company (MidAmerican) filed additional information regarding its emissions plan and budget as required by an order issued August 27, 2002. MidAmerican also requested confidential treatment of some of the information provided. The Board will rule on this confidentiality request in a separate order. Although the additional information did not include answers to questions three, five, and seven with respect to the Ottumwa plant, and these answers are necessary for the Board to be able to conduct its review, the emissions plan and budget will be deemed complete, and MidAmerican may file the answers to these questions with its prefiled testimony. Iowa Code § 476.6(25)(d) (2002).

Therefore, a procedural schedule should be established, and a date set for hearing.

In its prepared testimony, MidAmerican is directed to answer the following questions.

1. In response to question 4 at page 5 of MidAmerican's additional information, MidAmerican stated that it and Sargent & Lundy chose control technologies to achieve particular levels of system-wide emission reductions for particular pollutants in each scenario. MidAmerican provided a one-sentence generalized explanation for why it chose the listed reductions for each scenario, which it filed as confidential. Please provide MidAmerican's detailed rationale for choosing the particular numbers it used in these scenarios, and explain why the choices are reasonable.

2. In its responses to question 7 at page 8, and question 10, at page 11, in Attachment 2, and in Sargent & Lundy Exhibit 4-23, MidAmerican provided an explanation of the basis of costs for the neural networks. The basis of MidAmerican's explanation is the estimates in Sargent & Lundy Exhibit 4-23. Please provide a detailed explanation of how Sargent & Lundy derived each "Installed Cost of Neural Network System" number and each "Fixed Operation & Maintenance (O&M) Cost" number for each plant contained on Exhibit 4-23, for which MidAmerican is requesting approval in this emissions plan and budget, and provide the supporting calculations.

3. In its response to question 8 at page 9, MidAmerican stated it asked Alliant to respond to questions 3 through 7 regarding the Ottumwa plant, and provided Alliant's responses in Attachment 1. It does not appear that Attachment 1 contains any response to questions 3, 5, and 7. Please provide these answers for the Ottumwa plant expenses for which MidAmerican

is seeking approval during this two-year period. When providing the answers, please provide a detailed explanation of how Alliant derived each number for which MidAmerican is requesting approval in this emissions plan and budget, and provide the supporting calculations.

4. In its response to question 12 at page 12, MidAmerican stated it is investigating the possibility of advancing certain neural network installations to occur in 2003. If MidAmerican decides to do this and requests approval for these installations as a part of this emissions plan and budget, it must provide notification to the Board with an explanation of why it changed the schedule, and the same supporting information for the additional networks it provided for the current networks. In addition, how would neural network installation times for the additional neural networks relate to planned outages?

5. If the neural networks are installed with the current control technology at each plant, and in the future, control technologies are changed, will the neural networks still work? Will there be significant costs to change the neural networks? Would it make sense to wait to install the neural networks along with the new technology? Why or why not?

6. Has MidAmerican installed a neural network at any of its plants during 2002? If yes, were the installed costs the same as estimated costs, and what were the installed costs? Has the network been installed long enough to be able to evaluate its effects? If yes, what are the effects?

7. In his testimony, Mr. Schaefer referred to several types of costs in which the Board has approved a tracker mechanism. Please explain in detail why MidAmerican believes the emission plan and budget statute and costs are comparable to the statutes and costs in the other types of cases, and why the costs should be treated similarly.

8. Does MidAmerican believe the capital costs of environmental controls on a power plant are different from other power plant costs that are not recovered through a tracker mechanism? If yes, please explain the difference.

9. In his testimony at page 7, Mr. Schaefer stated that environmental costs are "readily, precisely, and continuously segregated in the accounts of the utility." In his testimony at pages 8-9, Mr. Schaefer stated that rates reflected in the tracker would be intended to recover budgeted O&M costs in connection with the plan, including any increased fuel costs resulting from increased heat rates associated with environmental compliance measures. If the installation of environmental controls such as the neural networks improve heat rates or otherwise improve plant performance, so that less fuel is required to generate a kilowatt-hour of electricity, how will the accounting for environmental costs reflect this improvement in plant operation?

10. In his testimony at page 9, Mr. Schaefer included depreciation expenses associated with capital expenditures and a return on rate base items

associated with the plan in the tracker mechanism. In its responses to the request for additional information, MidAmerican stated it was not proposing a special depreciation life or a specific rate of return. It appears that MidAmerican is proposing a tracker ratemaking treatment without an examination in this proceeding of the cost impacts associated with depreciation, life of the cost items, or rates of return. It appears that MidAmerican proposes, in the future, to ask for recovery of both expenditures for emission control equipment, and for the costs of earning a return on the equipment as a capital expenditure. Is this what MidAmerican proposes? In the future, how should the Board determine the appropriate capital treatment, rate of return, etc.? Please describe in detail the process or procedure MidAmerican is proposing to use for recovery of these costs.

11. Mr. Schaefer testified at pages 4 and 12 that the tracker would not be implemented until after December 31, 2005. Given that MidAmerican is only requesting approval of expenses for the two-year period ending March 31, 2004, should the tracker mechanism issue be ruled on in this proceeding? If yes, why?

In its prepared testimony, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) is directed to answer the following question. In his testimony on page 6, filed June 28, 2002, Mr. Fuhrman testified that MidAmerican should not be allowed to substitute lower cost emissions control technology because "such a change in technology from what is included in an approved Plan could

adversely affect other aspects of the approved Plan." Please explain how this could occur.

IT IS THEREFORE ORDERED:

1. MidAmerican's emissions plan and budget is deemed complete pursuant to Iowa Code Supplement § 476.6(25)(d).
2. The following procedural schedule is established.
 - a. On or before October 30, 2002, MidAmerican must file prepared direct testimony relating to its emissions plan and budget. MidAmerican must, at a minimum, answer the questions contained in this order in its prepared testimony.
 - b. On or before November 20, 2002, the Department of Natural Resources and the Consumer Advocate may file prepared responsive testimony. The Consumer Advocate must, at a minimum, answer the question contained in this order in its prepared testimony.
 - c. On or before December 4, 2002, MidAmerican may file prepared rebuttal testimony.
 - d. A public hearing for the presentation of evidence and the cross-examination of witnesses will be held on December 11, 2002, in the Board Hearing Room, 350 Maple Street, Des Moines, Iowa, beginning at 9:30 a.m. If a party's exhibits are extensive, the party should provide an index listing the exhibits to the undersigned, opposing counsel, and the court reporter, and

must file a copy with the Board Records Center. Each party must provide a copy of its prepared testimony to the court reporter.

Persons with disabilities requiring assistive services or devices to observe or participate should contact the Board at (515) 281-5256 in advance of the scheduled hearing date to request that appropriate arrangements be made.

3. A briefing schedule will be established at the conclusion of the hearing.

4. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination will become a part of the evidentiary record of these proceedings. Pursuant to 199 IAC 7.2(6), the party making reference to the data request must file one original and three copies of the data request and response with the Executive Secretary of the Board at the earliest possible time.

UTILITIES BOARD

/s/ Amy L. Christensen
Amy L. Christensen
Administrative Law Judge

ATTEST

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 10th day of October, 2002.